

Season's Greetings
From Your Friends At MGA!

DRAFT COHORT DEFAULT RATE APPEAL PROCESS WEB CAST

Draft Cohort Default Rate information will be released on February 11, 2008. After the release of the draft cohort default rates, the U.S. Department of Education (ED) provides schools an opportunity to review the draft data and, if necessary, work with the data manager responsible for the loans to correct any errors.

To assist schools with the appeal process, MGA will host a Web cast at 10:00 a.m. on Thursday, February 7, 2008, to discuss the information schools receive, how to interpret the data for accuracy, and the types of appeals schools may submit. More information concerning the Web cast will be emailed to schools in January and will also be included in the January issue of *Educational Loan Notes*.

It is important for schools to correct inaccurate data through an incorrect data challenge for a number of reasons:

- A school will not have a second opportunity to submit an incorrect data challenge; in its review, the school needs to ensure that no discrepancies exist among its records, the information obtained from outside sources, and the Loan Record Detail Report (LRDR) for the draft cohort default rates.
- The loan information used to calculate the draft cohort default rate will be used to calculate the school's official cohort default rate; the school needs to ensure that this data is accurate because official cohort default rates may result in certain benefits for the school or sanctions against the school.
- An incorrect data challenge will preserve a school's right to submit an uncorrected data adjustment if the agreed upon changes are not reflected in the official cohort default rate.
- An incorrect data challenge will preserve a school's right to submit an erroneous data appeal on the basis of disputed data if the school is subject to sanction after the release of the official cohort default rates.

If it is determined that the draft cohort default rate data is inaccurate, and the data manager responsible for the inaccurate data agrees to make a change to the data, the school's official cohort default rate should reflect the change.

Questions concerning the upcoming Web cast should be directed to Dan Tryon 1-800-642-5626, extension 34981, or via email tryond@michigan.gov.

FEDERAL REGULATION CLARIFICATION

The Michigan Guaranty Agency (MGA) has received numerous inquiries from schools requesting clarification of recent federal legislation concerning a school's preferred lender list and the inclusion of at least three unaffiliated lenders. The following excerpt is from the Federal Register, Vol. 72, No. 211, Thursday, November 1, 2007, Rules and Regulations, page 61988.

"The Secretary agrees with the commenters that a lender's function and responsibilities as a trustee in a third-party trustee relationship are separate and distinct from its function as an originating lender. We believe, therefore, that ensuring a borrower's choice among lenders will be protected if "affiliation" for purposes of a preferred lender list is limited to **affiliates that are under common ownership and control** [emphasis added] The Secretary also wishes to clarify that **the Department does not interpret the lender affiliation provision to include entities that are involved in post-disbursement activities** [emphasis added], which a school has no ability to monitor or control."

What this means for schools is that the U.S. Department of Education (ED) is **not** looking at servicers or secondary markets when it is considering whether or not lenders are affiliated. Therefore, a school could have three unaffiliated lenders that all use the same servicer and/or sell loans to the same secondary market.

Schools may find that providing student borrowers a greater choice in the number of lenders and loan options may increase the complexity of the loan and disbursement processes. If schools choose to work with multiple lender servicers, they may wish to look at using a Central Disbursing Agent (CDA) to assist in the loan delivery process. A CDA combines a school's multiple disbursements into a single disbursement roster regardless of the lender or servicer.

Sallie Mae, Nelnet, and ELM all offer a CDA. MGA is willing to assist any schools that are interested in more information concerning this service.

If you have any questions concerning new rules or regulations, please don't hesitate to contact Toots Lapata-Victorson at victorsont@michigan.gov.

SCHOOLS – FORM 1098-T REPORTING

This is a reminder to schools that they are required by federal law to report to the IRS by February 28, 2008, financial transactions for each student enrolled. The reporting deadline is March 31, 2008, if filed electronically; schools with more than 250 students must file electronically. ***This reporting must include a statement to the student by January 31, 2008.***

Schools must report such items as qualified educational expenses (tuition, fees, etc.), scholarships, and adjustments on Form 1098-T. A copy of Form 1098-T may be accessed at: <http://www.irs.gov/pub/irs-pdf/f1098t.pdf>.

Eligible educational institutions must file for each enrolled student and for whomever a reportable transaction is made. An eligible educational institution is a college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965 as in effect on August 5, 1997, and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private postsecondary institutions. In addition, reimbursement or refunds of qualified tuition and related expenses must be reported. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution. The following are **not** qualified tuition and related expenses:

- Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
- Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

For more information about the requirements to furnish a statement to each student, see part M in the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Schools are **not** required to file Form 1098-T or furnish a statement for:

- Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program;
- Non-resident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships or grants; and
- Students for whom you do not maintain a separate financial account and whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer or a governmental entity, such as the Department of Veterans Affairs or the Department of Defense.

Schools should note that penalties may be imposed for failure to file or failure to furnish correct 1098-T forms. These penalties may be waived, however, under certain circumstances. Instructions and additional information regarding form 1098-T are available on the IRS Web site at: <http://www.irs.gov/instructions/i1098et/index.html>.

For questions regarding form 1098-T schools should contact Nancy Vaughn at 1-800-642-5626, extension 31871, or via email at vaughnn@michigan.gov.

PAYING FOR COLLEGE IN MICHIGAN PUBLICATION

The [*Paying for College in Michigan*](#) (*Paying for College*) publication has been updated and is now available online at our Web site, michigan.gov/studentaid.

[*Paying for College*](#) provides specific information for students, parents, and other interested individuals about the state of Michigan's and the federal government's financial aid programs, practices, and procedures.

Please check our Web site for an announcement on the availability of [*Paying for College*](#) in paper form, or you may contact Peggy LaFleur at 1-800-642-5626, extension 38319 or via email at lafleurp@michigan.gov

2007-2008 MICHIGAN POSTSECONDARY HANDBOOK

Financial aid directors should receive their [*2007-2008 Michigan Postsecondary Handbook*](#) this month. The handbook has been printed in its entirety, including updated program information. The index tabs have not changed, therefore we did not include them with your handbook this year.

As a reminder, the Paying for College Web site, michigan.gov/studentaid, contains a Quick Link to the handbook. Please contact Patty Hill at 1-800-642-5626, extension 36051, if you have any questions.

COLLEGE GOAL SUNDAY

This is a reminder that College Goal Sunday will be held on Sunday, February 10, 2008, from 2:00 p.m. to 4:00 p.m.

College Goal Sunday provides students and parents an opportunity to receive professional assistance with completing the Free Application for Federal Student Aid (FAFSA). Students and parents should be reminded to bring:



- Social Security Numbers
- Driver's license
- Alien Registration Card, if applicable
- 2007 federal income tax return for student and parents(s)
- 2006 federal income tax return, if 2007 tax return has not been completed
- 2007 untaxed income records
- 2007 bank statements
- 2007 business and investment information

For more information on College Goal Sunday including the locations for the event, please go to www.micolllegegoal.org, or call 1-800-832-2464.

2008 PLUS/SLS VARIABLE INTEREST RATE 91-DAY TREASURY BILL METHOD

The U.S. Department of Education (ED) has announced a PLUS/SLS variable interest rate of **8.42** percent (4.67% [the 91-day T-bill average] + 3.75%) for the 2008 calendar year. This rate applies only to those PLUS/SLS promissory notes that provide for a calendar year adjustment based on the "91-day Treasury Bill" method. A copy of ED's announcement may be retrieved from <http://ifap.ed.gov/ffelvarrates/1204PLUSVariableRates08.html>.

If you have questions regarding these rates, please contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at frommp@michigan.gov.

FORM 1098-E REPORTING FOR LENDERS

Lenders and lender servicers are reminded that they are required to file Form 1098-E with the IRS by February 28, 2008, if they received student loan interest payments of \$600 or more from an individual in 2007. **In addition, a statement of interest received must be provided to each borrower, on paper or electronically, by January 31, 2008.**

For loans made on or after September 1, 2004, lenders and lender servicers are also required to report loan origination fees and capitalized interest in box 1 on Form 1098-E.

Instructions and additional information regarding Form 1098-E are available on the IRS Web site at: <http://www.irs.gov/instructions/i1098et/index.html>. Lenders and lender servicers with questions regarding Form 1098-E should contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at frommp@michigan.gov.

FINAL REGULATIONS EASE REQUIREMENTS FOR DISCHARGE

Final rules published in the Federal Register on November 1, 2007, have an impact on some student loan discharge eligibility requirements. Borrowers applying for student loan discharge due to total and permanent disability will now have the start date of the three-year conditional discharge revised per 34 CFR §682.402(c)(3)(i) from the date the Secretary makes an initial determination to the date the physician certifies the discharge on the application as the date that the borrower is totally and permanently disabled. This shortens the timeframe a borrower has to wait, relying on extra government processing in order to begin their three-year conditional discharge period.

For a discharge of a loan based on the death of the borrower (or student in the case of a PLUS loan), §682.402(b)(2) allows for the acceptance of an accurate and complete photocopy of the original or certified copy of the death certificate, instead of the former requirement of the acceptance of only an original or certified copy. Faxed copies will not be allowed. These changes are required to go into effect July 1, 2008, but guarantors are free to implement them sooner. MGA will incorporate both of these changes effective January 1, 2008.

You may access the student loans final rule online at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/07-5332.pdf> and the general provisions final rule at: <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-21083.pdf>.

If you have questions regarding loan discharge eligibility requirements, contact Tom Montgomery at 1-800-642-5626, extension 60613, or via email at montgomeryt@michigan.gov.

ED PIPELINE

MGA has provided descriptions and links to some of the most recent correspondence for schools and lenders from the U.S. Department of Education (ED).

Dear Partner
October 2007
[ANN-07-19](#)

This letter announces additional training sessions on National Student Loan Data System (NSLDS) Aggregate Loan Calculation using Federal Student Aid's (FSA) Distance Education system.

Dear Partner
October 2007
[ANN-07-20](#)

This letter announces additional NSLDS training sessions using FSA's Distance Education system. Topics covered include an overview of the NSLDS system, how to make changes to student data, add users, read codes within the system, as well as report overpayments and use the transfer monitoring function.

Dear Partner
October 2007

[ANN-07-21](#)

This letter announces FSA's Podcast of the recent 2007-2008 online, instructor-led training sessions on Applicant Data Resolution. Topics include resolving student application data rejects and using ED's Web-based systems to correct errors.

Dear Partner
October 2007
[GEN-07-07](#)

This letter provides a revised list of academic majors eligible for the National SMART Grants for the 2007-2008 award year.

Dear Partner
November 2007
[FP-07-10](#)

This letter announces the approval of a new loan discharge application for use by borrowers in the Federal Family Education Loan Program (FFELP), Federal Direct Loan Program, and Federal Perkins Loan Program who are the spouses or parents of eligible public servants or other eligible victims of the September 11, 2001 terrorist attacks.

Dear Partner
November 2007
[FP-07-11](#)

This letter provides initial guidance to FFELP lenders on reporting changes to the quarterly Lender's Request for Payment of Interest and Special Allowance (LaRS) as a result of the College Cost Reduction and Access Act of 2007 and the Third Higher Education Extension Act of 2007.

UPDATES TO MGA'S PARTICIPATING LENDER LIST

MGA encourages school personnel to use the electronic version of the "Participating Lender List" which provides access to the most current lender information and eliminates the need for manually updating the paper document that is published once per year. The electronic list is available on our Web site at mgaloan.com. From the MGA Quick List, select the Forms/Documents drop-down menu and choose [Participating Lender Lists](#).

Schools continuing to use the paper version of the list dated May 4, 2007, should note the following changes on their paper copy.

If you have any questions regarding these updates, please contact Pat Fromm 1-800-642-5626, extension 36076, or via email at frommp@michigan.gov.

No Longer Participating

FNB Taylorsville/IBB, 831825, is no longer participating in FFELP with MGA. Please delete this lender from all sections of the Participating Lender List. The following referral lenders which were sponsored by FNB Taylorsville/IBB, 831825, should be removed from the list as well:

831825 Bank of Ann Arbor
831825 Community Central Bank
831825 Educators and Employees Credit Union
831825 Lakeside Community Bank
831825 Onaway Community Federal Credit Union

National City Bank, 808877, is no longer participating.

Student Capital Corporation, 834192, is no longer participating.

UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated July 27, 2007. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at cardwells@michigan.gov.

New Branch Location

Ross Medical Education Center, New Baltimore, 021801-00

New branch located at 51133 Birch Street, Suite 100, New Baltimore, MI 48047. Michelle Nizza is the Financial Aid Officer. Michelle's telephone number is 586-716-3837, fax number is 586-716-5138, and email address is fa.newbaltimore@rosslearning.com.

Address Changes

Ross Medical Education Center, Grand Rapids, 025336-00

Delete 2035 28th Street. The new address is 3777 Sparks Drive SE, Suite 125, Grand Rapids, MI 49546.

Ross Medical Education Center, Warren, 021801-00

Delete 27120 Dequindre, Warren. The new address is 29429 John R, Madison Heights, MI 48071. The name has been updated to Ross Medical Education Center – Madison Heights to reflect the location change. The telephone number is 248-548-4389, fax number is 248-548-4831, and email address is fa.madisonheights@rosslearning.com.

Contact Information Changes

Rochester College, Rochester Hills, 002288-00

Kara Miller, Financial Aid Officer, is the new contact. Kara's telephone number is 248-218-2038, fax number is 248-218-2065, and email address is kmiller@rc.edu.

Ross Medical Education Center, Lansing, 025336-00

Sue Schrauger's telephone number is 517-703-9044 and fax number is 517-703-9125.

“Q” AND “A”

The Best of 2007

What are the eligibility requirements for a student to attend multiple schools?

A student may be enrolled simultaneously on at least a half-time basis in more than one school. The student may be eligible to receive a Stafford loan along with a Grad PLUS loan, if applicable. The parent of a dependent student may be eligible to receive a PLUS loan at more than one school for the same payment period or period of enrollment. For more information, refer to “Borrower Eligibility” (Chapter 5.15) in the *Common Manual* or the *Federal Student Aid Handbook*, Volume 3, Chapter 4. Questions may also be addressed to the MGA Customer Services Unit at extension 77009. For more information see [Educational Loan Notes “Q” and “A” January 2007](#).

May a school increase the amount of an existing Stafford loan after the end of the loan period?

Yes, a school may increase an existing Stafford loan after the loan period has ended and deliver a late disbursement of the additional loan amount if both of the following conditions are met:

- An electronic certification record existed for the Stafford loan prior to the end of the loan period; and
- The school determines that the student was eligible to receive additional funds during that period.

The late disbursement rules will apply in this case, and the loan money will need to be delivered to the student within 120 days of the end of the loan period. For more information regarding late disbursement rules, see the *Common Manual*, subsection 8.7.E. For more information see [Educational Loan Notes “Q” and “A” March 2007](#).

Is a student who is enrolled in an undergraduate program and is taking graduate level courses eligible for a Stafford loan at the graduate level annual loan limits?

“A student in an undergraduate program may not receive the graduate loan limits based on taking graduate coursework as a part of the undergraduate program,” according to the 2006-07 *Federal Student Aid Handbook* (FSA Handbook), page 3-78. The FSA Handbook continues, “In contrast, a graduate student who is taking some undergraduate coursework is eligible for the graduate loan limits if the student is enrolled at least half-time in courses (either graduate or undergraduate) that can be applied to the graduate program requirements. However, the student must already be admitted into the graduate program – a student with a bachelor's degree who is taking preparatory work for graduate school (or whose full admission to the graduate program is contingent upon completion of certain undergraduate courses) is not eligible for graduate loan limits.” For more information see [Educational Loan Notes “Q” and “A” April 2007](#).

What happens when a student receives additional financial assistance or the student's expected family contribution (EFC) has increased, changing the student's eligibility for the student's certified Stafford loan?

An overaward is created when the student's aid package exceeds the student's needs. Occasionally, circumstances may change after the aid has been awarded creating the overaward. Pell grants are never adjusted to take into account other forms of aid. If there is a Title IV overaward, other aid will need to be adjusted. Overawards are only applied to Stafford loans, not PLUS loans or loans made to students enrolled in eligible foreign schools. Up to \$300 of Federal

Work-Study earnings are excluded from the determination of an overaward. See CR 34 682.604(h). For more information see [Educational Loan Notes "Q" and "A" June 2007](#).

If a borrower with a defaulted loan stops making payments after obtaining a good standing letter, what must the student do to regain eligibility?

To remain in good standing borrowers who have obtained a good standing letter after making six consecutive monthly payments on their defaulted student loan must continue to make consecutive monthly payments until the loan is paid in full even if they are in school. Borrowers who lose eligibility by skipping a payment may not obtain another good standing letter for consecutive payments. These borrowers should contact MGA's Collections Section to either pay their loan in full or enter into a loan rehabilitation program. For more information see [Educational Loan Notes "Q" and "A" July 2007](#).

What are the specifics regarding "other criteria" that a guarantor may consider pertinent in the decision to perform a program review of a school?

Other criteria may include length of time since the last audit, loan volume trends (substantial increases or decreases), or evidence of regulatory violations or potential fraud or abuse in its FFELP participation. Complaints from lenders, borrowers, or students may influence a decision to conduct a program review. Additionally, weaknesses identified during the process by which schools first obtained FFELP eligibility could generate a program review. For more information see [Educational Loan Notes "Q" and "A" August 2007](#).

Where is information found regarding No Worker Left Behind?

Visit www.michigan.gov/nwlb for more information. There are many links on this Web site. The frequently asked questions section, along with a fact sheet and current updates to the program provide information regarding the program. There are three main sections which include Jobs Today, Jobs Tomorrow; Gateway to Opportunity; and No Worker Left Behind. To view the top 50 jobs in Michigan or to locate your local Michigan Works! Agency, click on links in the Jobs Today, Jobs Tomorrow section. This site has valuable information that will assist displaced and underemployed workers to become students and future highly educated employees. For more information see [Educational Loan Notes "Q" and "A" September 2007](#).

Are there exceptions where the school may impose deadlines for requesting an FSA loan? If so, what are the exceptions?

Yes, there are two exceptions provided by ED.

1. A school may, under Section 668.58, refuse to certify a loan until verification is complete. In fact, a school must withhold certification or origination if there is conflicting information or reason to doubt the accuracy or a student's application information. A borrower who does not complete the verification process while still enrolled would lose out on the loan funds.

2. A school can consider late disbursement requirements. Since a school has to certify or originate a loan before the student loses eligibility, ED finds it reasonable to expect that there may be an administrative point in the last week of the period of enrollment that the school establishes beyond which it cannot assure a student that a loan certification or origination will take place within the requirements for an eligible late disbursement to be made. That period, determined by the school, may depend on whether the process of loan certification and origination is manual or electronic at the particular school. For more information see [Educational Loan Notes "Q" and "A" November 2007](#).

CALENDAR OF UPCOMING EVENTS

December 2007

24-25 MGA Offices Closed

31 MGA Offices Closed

January 2008

1 MGA Offices Closed

21 MGA Offices Closed

27-30 MSFAA Winter Training
Amway Grand Hotel
Grand Rapids, Michigan

February 2008

10 College Goal Sunday

18 MGA Offices Closed
